



Austin Health
2006/07 Financial Statements



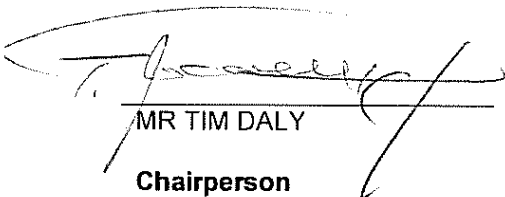
Austin Health

Certification

We certify that the attached financial statements for Austin Health have been prepared in accordance with Part 4.2 of the Standing Directions of the Minister for Finance under the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the operating statement, balance sheet, statement of changes in equity, cash flow statement and notes to and forming part of the financial statements, presents fairly the financial transactions during the year ended 30 June 2007 and financial position of the Hospital as at 30 June 2007.

We are not aware of any circumstance, which would render any particulars included in the financial statements to be misleading or inaccurate.



MR TIM DALY
Chairperson



DR BRENDAN MURPHY
Chief Executive Officer



MR IAN BROADWAY
Executive Director, Finance

Heidelberg, Victoria

Heidelberg, Victoria

Heidelberg, Victoria

...11 / 09 / 2007

...11 / 09 / 2007

...11 / 09 / 2007

INDEPENDENT AUDIT REPORT

Austin Health

To the Members of the Parliament of Victoria and Members of the Board of the Health Service

Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's report for the financial year ended 30 June 2007 relates to the financial report of Austin Health included on its web site. The Board of Austin Health is responsible for the integrity of the web site. I have not been engaged to report on the integrity of the web site. The auditor's report refers only to the statements named below. An opinion is not provided on any other information which may have been hyperlinked to or from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

The Financial Report

The accompanying financial report for the year ended 30 June 2007 of Austin Health which comprises the operating statement, balance sheet, statement of changes in equity, cash flow statement, a summary of significant accounting policies and other explanatory notes to and forming part of the financial report, and the certification has been audited.

The Responsibility of the Members of the Board for the Financial Report

The Members of the Board of Austin Health are responsible for the preparation and the fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the financial reporting requirements of the *Financial Management Act* 1994. This responsibility includes:

- establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error
- selecting and applying appropriate accounting policies
- making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

As required by the *Audit Act* 1994, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. These Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, consideration is given to internal control relevant to the Board Members' preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Health Service's internal control. An audit also includes evaluating the appropriateness of the accounting policies used, and the reasonableness of accounting estimates made by the Board Members, as well as evaluating the overall presentation of the financial report.

Independent Audit Report (continued)

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.


Independence

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. The Auditor-General, his staff and delegates comply with all applicable independence requirements of the Australian accounting profession.

Auditor's Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of Austin Health as at 30 June 2007 and its financial performance and cash flows for the year then ended in accordance with applicable Australian Accounting Standards (including the Australian Accounting Interpretations), and the financial reporting requirements of the *Financial Management Act 1994*.

MELBOURNE
12 September 2007



D.D.R. Pearson
Auditor-General

Austin Health

OPERATING STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	Note	Total 2007 \$000	Total 2006 \$000
Revenue from Operating Activities	2	505,314	472,792
Revenue from Non-operating Activities	2	2,515	2,161
Employee Benefits	2(b)	(366,882)	(346,358)
Non Salary Labour costs	2(b)	(7,515)	(7,396)
Supplies and Consumables	2(b)	(81,284)	(73,805)
Other Expenses from Continuing Operations	2(b)	(48,196)	(46,351)
Finance Costs	4	(134)	(91)
Net Result Before Capital & Specific Items		3,818	951
Capital Purpose Income	2	22,472	32,890
Specific Income	2	1,957	2,000
Depreciation and Amortisation	3	(29,050)	(31,516)
Expenditure Using Capital Purpose Income	2(b)	(11,211)	(8,365)
Net Result from for the Year		(12,014)	(4,040)

This Statement should be read in conjunction with the accompanying notes.

Austin Health

BALANCE SHEET AS AT 30 JUNE 2007

	Note	Total 2007 \$000	Total 2006 \$000
ASSETS			
Current Assets			
Cash and Cash Equivalents	5	20,725	20,615
Receivables	6	26,925	25,000
Other Financial Assets	7	13,067	10,000
Inventories	8	5,010	4,862
Other Current Assets	9	1,328	686
Total Current Assets		<u>67,055</u>	<u>61,163</u>
Non-Current Assets			
Receivables	6	10,751	13,202
Other Financial Assets	7	154	154
Property, Plant and Equipment	10	636,256	607,135
Intangible Assets	11	1,271	1,858
Total Non-Current Assets		<u>648,432</u>	<u>622,349</u>
TOTAL ASSETS		<u>715,487</u>	<u>683,512</u>
LIABILITIES			
Current Liabilities			
Payables	12	40,230	42,374
Interest Bearing Liabilities	13	78	-
Provisions	14	96,077	89,990
Other Liabilities	15	297	444
Total Current Liabilities		<u>136,682</u>	<u>132,808</u>
Non-Current Liabilities			
Interest Bearing Liabilities	13	4,922	-
Provisions	14	9,970	9,340
Other Liabilities	15	587	501
Total Non-Current Liabilities		<u>15,479</u>	<u>9,841</u>
TOTAL LIABILITIES		<u>152,161</u>	<u>142,649</u>
NET ASSETS		<u>563,326</u>	<u>540,863</u>
EQUITY			
Asset Revaluation Reserve	16a	120,819	124,771
Restricted Specific Purpose Reserve	16a	2,688	1,933
Contributed Capital	16b	518,320	479,891
Accumulated Deficits	16c	(78,501)	(65,732)
TOTAL EQUITY		<u>563,326</u>	<u>540,863</u>

This Statement should be read in conjunction with the accompanying notes.

Austin Health

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2007

	Note	Total 2007 \$000	Total 2006 \$000
Total Equity at Beginning of Financial Year		540,863	531,726
Effects of Changes in Accounting Policy			
Accumulated Deficits	1(ab)	-	(666)
Restated Total Equity at Beginning of Financial Year		<u>540,863</u>	<u>531,060</u>
Loss on Asset Revaluation	10(a), 16	<u>(3,952)</u>	-
Net Loss recognised directly in Equity		<u>(3,952)</u>	-
Net Result for the Year		<u>(12,014)</u>	<u>(4,040)</u>
Total Recognised Income and Expense for the Year		<u>(12,014)</u>	<u>(4,040)</u>
Transactions with the State in its Capacity as Owner	16, 17	<u>38,429</u>	<u>13,843</u>
Closing Balance		<u><u>563,326</u></u>	<u><u>540,863</u></u>

This Statement should be read in conjunction with the accompanying notes.

Austin Health

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	Note	Total 2007 \$000	Total 2006 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating Grants from Government		441,557	425,883
Patient and Resident Fees Received		17,848	14,202
Private Practice Fees Received		8,420	6,795
Donations and Bequests Received		2,284	2,259
GST Received from/(paid to) ATO		(29,317)	(31,647)
Recoupment from private practice for use of Hospital Facilities		21,496	18,841
Interest Received		1,433	936
Other Receipts		47,487	41,717
Employee Benefits Paid		(361,117)	(338,139)
Finance Costs		(88)	(91)
Other Payments		(140,086)	(131,050)
Cash Generated from Operations		<u>9,917</u>	<u>9,705</u>
Capital Grants from Government		13,528	31,677
Capital Donations and Bequests Received		3,735	3,957
Other Capital Receipts		901	127
Other Capital Payments		(11,211)	(9,202)
NET CASH INFLOW FROM OPERATING ACTIVITIES	17	<u>16,870</u>	<u>36,264</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(18,930)	(20,976)
Proceeds from Sale of Property, Plant and Equipment		22	26
Purchase of Investments		(3,067)	(10,154)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		<u>(21,975)</u>	<u>(31,104)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Borrowings		5,250	700
Repayment of Borrowings		(50)	-
NET CASH INFLOW FROM FINANCING ACTIVITIES		<u>5,200</u>	<u>700</u>
NET INCREASE/(DECREASE) IN CASH HELD		95	5,860
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	5	<u>20,599</u>	<u>14,739</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	5	<u><u>20,694</u></u>	<u><u>20,599</u></u>

This Statement should be read in conjunction with the accompanying notes.

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Notes to and forming part of the Financial Statements for the Year Ended 30 June 2007

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Austin Health

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2007

Note 1: Statement of Significant Accounting Policies

The general purpose financial report of Austin Health is prepared on an accrual basis in accordance with the *Financial Management Act 1994*, Australian Accounting Standards issued by the Australian Accounting Standards Board and Urgent Issues Group Interpretations. Accounting standards include Australian equivalents to International Financial Reporting Standards (A-IFRS).

The financial statements were authorised for issue by Mr Tim Daly, Chairperson on September 11th 2007.

Basis of Preparation

The financial report is prepared in accordance with the historical cost convention, except for the revaluation of certain non-current assets and financial instruments, as noted. Cost is based on the fair values of the consideration given in exchange for assets.

In the application of A-IFRS management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2007, and the comparative information presented in these financial statements for the year ended 30 June 2006.

(a) Reporting Entity

The Health Service is a not-for profit entity and therefore applies the additional Aus paragraphs applicable to "not-for-profit" entities under the Australian equivalents to A-IFRS.

(b) Rounding Off

All amounts shown in the Financial Statements are expressed to the nearest \$1,000.

(c) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and in banks and investments in money market instruments.

(d) Receivables

Trade debtors are carried at nominal amounts due and are due for settlement within 30 days from the date of recognition. Collectability of debt is reviewed on an ongoing basis, and debts which are known to be uncollectable are written off. A provision for doubtful debts is raised where doubt as to collection exists. Bad debts are written off when identified.

(e) Inventories

Inventories include goods and other property held either for sale or for distribution at no or nominal cost in the ordinary course of business operations. It excludes depreciable assets.

Inventories held for distribution are measured at the lower of cost and current replacement cost. All other inventories are measured at the lower of cost or net realisable value.

Cost is determined principally by the weighted average method.

Austin Health

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2007

Note 1: Statement of Significant Accounting Policies (continued)

(f) Other Financial Assets

Other financial assets are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs. Other financial assets are classified between current and non current assets based on the Health Service Board of Management's intention at balance date with respect to the timing of disposal of each asset.

The Health Service classifies its other investments as available for sale. This classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

Other investments held by the Health Service are classified as being available-for-sale and are stated at fair value. Gains and losses arising from changes in fair value are recognised directly in equity, until the investment is disposed of or is determined to be impaired, at which time to the extent appropriate, the cumulative gain or loss previously recognised in equity is included in the operating statement for the period.

Dividend revenue is recognised on a receivable basis. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(g) Intangible Assets

Intangible assets represent identifiable non-monetary assets without physical substance such as patents, trademarks, goodwill, computer software and development costs (where applicable).

Intangible assets are recognised at cost. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to the Health Service.

Amortisation is allocated to intangible assets with finite useful lives on a systematic basis over the asset's useful life. Amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each annual reporting period. For the financial year ended 30 June 2007 the finite life of intangibles has been assessed to be 3 years (2006: 3 years). In addition, an assessment is made at each reporting date to determine whether there are indicators that the intangible asset concerned is impaired. If so, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount.

Intangible assets with indefinite useful lives are not amortised. The useful life of intangible assets that are not being amortised are reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. In addition, the Health Service tests all intangible assets with indefinite useful lives for impairment by comparing its recoverable amount with its carrying amount:

- annually, and
- whenever there is an indication that the intangible asset may be impaired.

Any excess of the carrying amount over the recoverable amount is recognised as an impairment loss.

(h) Property, Plant and Equipment

Freehold Land and Crown Land is measured at fair value with regard to the property's highest and best use after due consideration is made for any legal or constructive restrictions imposed on the land, public announcements or commitments made in relation to the intended use of the land. Theoretical opportunities that may be available in relation to the assets are not taken into account until it is virtually certain that any restriction will no longer apply.

Buildings are measured at fair value less accumulated depreciation and impairment.

Plant, Equipment and Vehicles are measured at cost less accumulated depreciation and impairment.

Austin Health

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2007

Note 1: Statement of Significant Accounting Policies (continued)

(i) Revaluations of Property, Plant and Equipment

Financial Reporting Direction (FRD) 103B *Non-current Physical Assets*, prescribes that non-current physical assets measured at fair value are revalued with sufficient regularity to ensure that the carrying amount of each asset does not differ materially from its fair value. This revaluation process normally occurs every five years as dictated by timelines in FRD103B which sets the next revaluation for the Health, Welfare and Community Purpose Group to occur on 30 June 2009, or earlier should there be an indication that the fair values are materially different from the carrying value. Revaluation increments or decrements arise from differences between an asset's carrying value and fair value.

Revaluation increments are credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in net result, the increment is recognised as revenue in the net result.

Revaluation decrements are recognised immediately as expenses in the net result, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited directly to the asset revaluation reserve.

Revaluation increases and revaluation decreases relating to individual assets within a class are offset against one another within that class but are not offset in respect of assets in different classes. Revaluation reserves are not transferred to accumulated funds on derecognition of the relevant asset.

(j) Depreciation

Assets with a cost in excess of \$1,000 (2006: \$1,000) are capitalised and depreciation has been provided on depreciable assets so as to allocate their cost - or valuation - over their estimated useful lives using the straight-line method. Estimates of the remaining useful lives and depreciation method for all assets are reviewed at least annually. This depreciation charge is not funded by the Department of Human Services.

The following table indicates the expected useful lives of non-current assets on which the depreciation charges are based.

	2007	2006
Buildings	Up to 40 years	Up to 40 years
Building Components:		
- Fitout	Up to 20 years	Up to 20 years
- Shell/Structure	Up to 60 years	Up to 60 years
- Services	Up to 28 years	Up to 28 years
- Siteworks/Site Services	Up to 30 years	Up to 30 years
Plant & Equipment	Up to 15 years	Up to 15 years
Furniture & Fittings	Up to 5 years	Up to 5 years
Communication	Up to 5 years	Up to 5 years
Transport	Up to 3 years	Up to 3 years
Linen	Up to 3 years	Up to 3 years
Other	Up to 5 years	Up to 5 years

(k) Impairment of Assets

Intangible assets with indefinite useful lives are tested annually as to whether their carrying value exceeds their recoverable amount. All other assets are assessed annually for indications of impairment, except for:

- inventories; and
- financial instrument assets.

If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written-off by a charge to the operating statement except to the extent that the write-down can be debited to an asset revaluation reserve amount applicable to that class of asset.

Austin Health

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2007

Note 1: Statement of Significant Accounting Policies (continued)

(k) Impairment of Assets (continued)

The recoverable amount for most assets is measured at the higher of depreciated cost and fair value less costs to sell. Recoverable amount for assets held primarily to generate net cash inflows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell. It is deemed that, in the event of the loss of an asset, the future economic benefits arising from the use of the asset will be replaced unless a specific decision to the contrary has been made.

(l) Payables

These amounts represent liabilities for goods and services provided prior to the end of the financial year and which are unpaid. The normal credit terms are Net 30 days after the end of month of date of invoice.

(m) Resources Provided and Received Free of Charge or for Nominal Consideration

Resources provided or received free of charge or for nominal consideration are recognised at their fair value. Contributions in the form of services are only recognised when a fair value can be reliably determined and the services would have been purchased if not donated.

(n) Interest Bearing Liabilities

Interest bearing liabilities in the Balance Sheet are recognised at fair value upon initial recognition. Subsequent to initial recognition, all financial liabilities are recognised at amortised cost. Any difference between the proceeds and the redemption amount is recognised in the income statement over the period of the borrowing using the effective interest method.

(o) Functional and Presentation Currency

The presentation currency of the Health Service is the Australian dollar, which has also been identified as the functional currency of the Health Service.

(p) Goods and Services Tax

Income, expenses and assets are recognised net of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from and payable to the taxation authority is included with other receivables and other payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(q) Employee Benefits

Wages and Salaries, Annual Leave and Accrued Days Off

Liabilities for wages, and salaries, including non-monetary benefits, annual leave and accrued days off expected to be settled within 12 months of employee's services up to the reporting date, are classified as current liabilities and measured at nominal values.

Those liabilities that the health service does not expect to settle within 12 months are recognised in the provision for employee benefits as current liabilities, measured at present value of the amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and accrued days off when it is probable that settlement will be required and they are capable of being measured reliably.

Austin Health

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2007

Note 1: Statement of Significant Accounting Policies (continued)

(q) Employee Benefits (continued)

Long Service Leave

Current Liability – unconditional LSL (representing 10 or more years of continuous service) is disclosed as a current liability regardless of whether the Health Service does not expect to settle the liability within 12 months as it does not have the unconditional right to defer the settlement of the entitlement should an employee take leave.

The components of this current LSL liability are measured at:

present value – component that the Health Service does not expect to settle within 12 months; and
nominal value – component that the Health Service expects to settle within 12 months.

Non-Current Liability – conditional LSL (representing less than 10 years of continuous service) is disclosed as a non-current liability. There is an unconditional right to defer the settlement of the entitlement until 10 years of service has been completed by an employee. Conditional LSL is required to be measured at present value.

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates of national Government guaranteed securities in Australia.

Superannuation

Defined contribution plans - Contributions to defined contribution superannuation plans are expensed when incurred.

Defined benefit plans- The amount charged to the Operating Statement in respect of defined benefit plan superannuation represents the contributions made by the Health Service to the superannuation plan in respect to the current services of current Health Service staff. Superannuation contributions are made to the plans based on the relevant rules of each plan.

Employees of the Health Service are entitled to receive superannuation benefits and the Health Service contributes to both the defined benefit and defined contribution plans. The defined benefit plans provide benefits based on years of service and final average salary.

The Health Service made contributions to the following major superannuation plans during the year:

<u>Defined Benefit Plans:</u>	Hospital Superannuation Board – Health Super Commonwealth Superannuation Scheme ESS (previously GSO) Public Sector Superannuation Scheme
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<u>Defined Contribution Plans:</u>	Hospital Superannuation Board – Health Super Commonwealth Superannuation Scheme Public Sector Superannuation Scheme HESTA ESS (previously GSO)
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The Health Service does not recognise any defined benefit liability in respect of the superannuation plan because the Health Service has no legal or constructive obligation to pay future benefits relating to its employees; its only obligation is to pay superannuation contributions as they fall due. The Department of Treasury and Finance administers and discloses the State's defined benefit liabilities in its financial report.

Termination Benefits

Liabilities for termination benefits are recognised when a detailed plan for the termination has been developed and a valid expectation has been raised in those employees affected that the terminations will be carried out. The liabilities for termination benefits are recognised in other creditors unless the amount or timing of the payments is uncertain, in which case they are recognised as a provision.

Austin Health

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2007

Note 1: Statement of Significant Accounting Policies (continued)

(q) Employee Benefits (continued)

Employee Benefit On-Costs

Employee benefit on-costs are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

(r) Finance Costs

Finance costs are recognised as expenses in the period in which they are incurred.

Finance costs include:

- bank charges; and
- interest on long term borrowings.

(s) Residential Aged Care Services

The Darley House Residential Aged Care Service operations are an integral part of the Health Service and shares its resources. An apportionment of land and buildings has been made based on floor space. The results of the two operations have been segregated based on actual revenue earned and expenditure incurred by each operation.

(t) Intersegment Transactions

Transactions between segments within the Health Service have been eliminated to reflect the extent of the Health Service's operations as a group.

(u) Leases

Operating lease payments, including contingent rentals, are recognised as an expense in the operating statement on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset.

(v) Revenue Recognition

Revenue is recognised in accordance with AASB 118 *Revenue* and is recognised as revenue to the extent it is earned. Unearned income at reporting date is reported as income received in advance.

Amounts disclosed as revenue are, where applicable, net of returns, allowances and duties and taxes.

Government Grants

Grants are recognised as income when the Health Service gains control of the underlying assets in accordance with AASB 1004 *Contributions*. Where grants are reciprocal, revenue is recognised as performance occurs under the grant. Non-reciprocal grants are recognised as income when the grant is received or receivable. Conditional grants may be reciprocal or non-reciprocal depending on the terms of the grant.

Indirect Contributions

The Department of Human Services makes certain payments on behalf of the Health Service. These amounts have been brought to account in determining the operating result for the year by recording them as revenue and expenses.

Insurance is recognised in the accounts upon receipt of advice from the Department of Human Services.

Long Service Leave - revenue is recognised monthly upon finalisation of movements in LSL liability in line with the arrangements set out in the Acute Health Division Hospital Circular 16/2004.

Patient Fees

Patient fees are recognised as revenue at the time invoices are raised.

Private Practice Fees

Private Practice fees are recognised as revenue at the time invoices are raised.

Donations and Other Bequests

Donations and bequests are recognised as revenue when received. If donations are for a special purpose they may be transferred to a reserve, for example, restricted special purpose reserve.

Austin Health

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2007

Note 1: Statement of Significant Accounting Policies (continued)

(w) Fund Accounting

The Health Service operates on a fund accounting basis and maintains three funds: Operating, Specific Purpose and Capital Funds. The Health Service's Capital and Specific Purpose Funds include unspent capital donations and receipts from fundraising activities conducted solely in respect of these funds.

(x) Services Supported By Health Services Agreement and Services Supported By Hospital And Community Initiatives

The activities classified as *Services Supported by Health Services Agreement* (HSA) are substantially funded by the Department of Human Services and includes RACS and are also funded from other sources such as the Commonwealth, patients and residents, while *Services Supported by Hospital and Community Initiatives* (Non HSA) are funded by the Health Service's own activities or local initiatives and/or the Commonwealth.

(y) Asset Revaluation Reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets.

(z) Specific Restricted Purpose Reserve

A Specific Restricted Purpose Reserve is established where the Health Service has possession or title to funds but has no discretion to amend or vary the restriction and/or condition underlying the funds received.

(aa) Contributed Capital

Consistent with *UIG Interpretation 1038 Contributions by Owners Made to Wholly Owned Public Sector Entities* and *FRD 2A Contributions by Owners*, appropriations for additions to the net asset base have been designated as contributed capital. Other transfers that are in the nature of contributions or distributions, have also been designated as contributed capital.

(ab) Changes in Accounting Policy - Financial Instruments - Adoption of AASB 132 and AASB 139

The effect on the balance sheet as at 1 July 2005 as a result of adopting AASB 132 and AASB 139 has been an increase in the provision of doubtful debts and an increase in accumulated deficit as follows:

Provision for Doubtful Debts – Trade Debtors	\$547,000
Provision for Doubtful Debts – Patient Debtors	<u>\$119,000.</u>
Total adjustment	<u>\$666,000</u>

Refer Statement of Changes in Equity.

(ac) Comparative Information

There have been no changes to previous year's figures other than detailed below.

Revenues and Expenses by category in notes 2a and 2b(i) have been reclassified to accord with the government's requirements for reporting under the Australian Health Care Agreement with the Commonwealth government. This reclassification is to reflect the new category groups as detailed in note 1(ae) as follows:

Austin Health

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2007

Note 1: Statement of Significant Accounting Policies (continued)

(ac) Comparative Information (continued)

Category	2005/06 Accounts Format \$000	2006/07 Accounts Format \$000
Revenue – HAS		
Acute	386,512	
- Admitted Patients	-	274,831
- Outpatients	-	54,967
- EDS	-	13,850
- Ambulatory	-	43,167
Mental Health	38,407	38,099
RAC	4,258	4,232
Aged Care	1,828	1,844
Other	1,995	2,010
Total	433,000	433,000
Expense – HAS		
Acute	389,159	
- Admitted Patients	-	272,164
- Outpatients	-	54,744
- EDS	-	17,228
- Ambulatory	-	49,181
Mental Health	42,611	38,883
RAC	5,323	4,602
Aged Care	2,803	2,943
Other	2,136	2,287
Total	442,032	442,032

(ad) Net Result Before Capital & Specific Items

The subtotal entitled “Net Result Before Capital & Specific Items” is included in the Operating Statement to enhance the understanding of the financial performance of the Health Service. This subtotal reports the result excluding items such as capital grants, assets received or provided free of charge, depreciation, and items of unusual nature and amount such as specific revenue and expenses. The exclusion of these items are made to enhance matching of income and expenses so as to facilitate the comparability and consistency of results between years and Victorian Public Health Services. The Net Result Before Capital & Specific Items is used by the management of the Health Service, the Department of Human Services and the Victorian Government to measure the ongoing result of Health Service in operating hospital services.

Capital and specific items, which are excluded from this sub-total, comprise:

- Capital purpose income, which comprises all tied grants, donations and bequests received for the purpose of acquiring non-current assets, such as capital works, plant and equipment or intangible assets. Consequently the recognition of revenue as capital purpose income is based on the intention of the provider of the revenue at the time the revenue is provided.
- Specific income/expense, comprises the following items, where material:
 - Voluntary departure packages;
 - Write-down of inventories;
 - Non-current asset revaluation increments/decrements;
 - Diminution in investments;
 - Restructuring of operations (disaggregation/aggregation of health services);
 - Litigation settlements;
 - Non-current assets lost or found;
 - Forgiveness of loans;

Austin Health

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2007

Note 1: Statement of Significant Accounting Policies (continued)

(ad) Net Result Before Capital & Specific Items (continued)

- Reversals of provisions; and
 - Voluntary changes in accounting policies (which are not required by an accounting standard or other authoritative pronouncement of the Australian Accounting Standards Board).
- Impairment of non current assets, includes all impairment losses (and reversal of previous impairment losses), related to non current assets only which have been recognised in accordance with note 1(k).
 - Depreciation and amortisation, as described in note 1 (g) and (j).
 - Assets provided free of charge, as described in note 1(m).
 - Expenditure using capital purpose income, which comprises expenditure using capital purpose income which falls below the asset capitalisation threshold and therefore does not result in the recognition of an asset in the balance sheet. The asset capitalisation threshold is set at \$1,000 (2006: \$1,000).

(ae) Category Groups

The Health Service has used the following category groups for reporting purposes for the current and previous financial years. The allocations into these categories are based on managements best estimates.

Admitted Patient Services (Admitted Patients) comprises all recurrent health revenue/expenditure on admitted patient services, where services are delivered in public hospitals.

Mental Health Services (Mental Health) comprises all recurrent health revenue/expenditure on specialised mental health services (child and adolescent, general and adult, community and forensic) managed or funded by the state or territory health administrations, and includes: Admitted patient services (including forensic mental health), outpatient services, emergency department services (where it is possible to separate emergency department mental health services), community-based services, residential and ambulatory services.

Outpatient Services (Outpatients) comprises all recurrent health revenue/expenditure on public hospital type outpatient services, where services are delivered in public hospital outpatient clinics.

Emergency Department Services (EDS) comprises all recurrent health revenue/expenditure on emergency department services that are available free of charge to public patients.

Aged Care comprises revenue/expenditure from Home and Community Care (HACC) programs, allied health, Aged Care Assessment and support services.

Off Campus, Ambulatory Services (Ambulatory) comprises all recurrent health revenue/expenditure on public hospital type services including palliative care facilities and rehabilitation facilities, as well as services provided under the following agreements; Services that are provided or received by hospital but are delivered/received outside a hospital campus, services which have moved from a hospital to a community setting since June 1998.

Residential Aged Care comprises those Commonwealth-licensed residential aged care services in receipt of supplementary funding from DHS.

Other Services excluded from Australian Health Care Agreement (AHCA) (Other) comprises revenue/expenditure for services not separately classified above, including: public health services including laboratory testing, drugs services including drug withdrawal, disability services including aids and equipment and flexible support packages to people with a disability. Health and Community Initiatives also falls in this category group.

Austin Health

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2007

Note 1: Statement of Significant Accounting Policies (continued)

(af) New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2007 reporting period. As at 30 June 2007, the following standards and interpretation had been issued but were not mandatory for financial year ended 30 June 2007. Austin Health has not and does not intend to adopt these standards early.

Standard / Interpretation	Summary	Applicable for reporting periods beginning on or ending on	Impact on Health Service's Annual Statements
AASB 7 Financial Instruments: Disclosures	New standard replacing disclosure requirements of AASB 132	Beginning 1 January 2007	AASB 7 is a disclosure standard so will have no direct impact on the amounts included in Austin Health's financial statements. However, the amendments will result in changes to financial instrument disclosures included in Austin Health's annual report.
AASB 2005-10 Amendments to Australian Accounting Standards (AASB's 132, 101, 114, 117)	Amendments arising from the release in Aug 05 of AASB 7 Financial Instruments: Disclosures	Beginning 1 January 2007	Amendments may result in changes to the financial statements
AASB 101 Presentation of Financial Statements	Removes Australian specific requirements from AASB 101 including the Australian illustrative formats of the income statement, balance sheet, and the statement of changes in equity which Health Services were previously "encouraged" to adopt in preparing their financial statements	Beginning 1 January 2007	Amendments may result in changes to the financial statements
AASB 2007-1 Amendments to Australian Accounting Standards arising from AASB Interpretation 22 (AASB 2)	Additional paragraphs added underneath transitional payments	1 March 2007	Amendments may result in changes to the financial statements

Austin Health

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2007

Note 1: Statement of Significant Accounting Policies (continued)

(ag) Going Concern

The financial statements have been prepared on a going concern basis. Austin Health has:

- A deficit from ordinary activities of \$12M for the year ended 30 June 2007 (\$4M for the year ended 30 June 2006);
- A working capital deficiency of \$69.6M as at 30 June 2007 (\$71.6M deficiency as at 30 June 2006);
- Net cash inflows of \$0.1M for the year ended 30 June 2007 (\$5.9M inflows for the year ended 30 June 2006); and
- Budgeted for a deficit from ordinary activities for 30 June 2008.

With respect to Austin Health's current financial position, the Board and Management of Austin Health have initiated various strategies, including a recovery plan, which will be monitored throughout the 2007/08 financial year. On the basis of the advice and assurances received in writing from the Department of Human Services, the Directors of Austin Health are of the opinion that Austin Health will be able to pay its debts as and when they fall due.

Austin Health

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2007

Note 2: Revenue

	HSA	HSA	Non HSA	Non HSA	Total	Total
	2007	2006	2007	2006	2007	2006
	\$000	\$000	\$000	\$000	\$000	\$000
Government Grants						
- Department of Human Services	379,138	358,956	180	8	379,318	358,964
- Commonwealth Government						
- Residential Aged Care Subsidy	2,708	2,384	-	-	2,708	2,384
- Other	18,589	13,668	887	1,094	19,476	14,762
Research	10	606	3,689	2,795	3,699	3,401
Indirect Contributions by Human Services	10,974	9,572	-	-	10,974	9,572
Patient and Resident Fees (Refer note 2c)	17,680	15,968	-	-	17,680	15,968
Private Practice Fees	-	-	8,572	7,831	8,572	7,831
Donations and Bequests	39	28	2,245	2,231	2,284	2,259
Recoupment from Private Practice for use of Hospital Facilities (Refer note 2c)	21,496	18,841	-	-	21,496	18,841
Other Revenue from Operating Activities	11,423	12,302	27,684	26,508	39,107	38,810
Sub-Total Revenue from Operating Activities	462,057	432,325	43,257	40,467	505,314	472,792
Revenue from Non-Operating Activities						
Interest	-	152	1,583	967	1,583	1,119
Property Income	296	523	636	519	932	1,042
Sub-Total Revenue from Non-Operating Activities	296	675	2,219	1,486	2,515	2,161

Austin Health

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2007

Note 2: Revenue (continued)

	HSA	HSA	Non HSA	Non HSA	Total	Total
	2007	2006	2007	2006	2007	2006
	\$000	\$000	\$000	\$000	\$000	\$000
Revenue from Capital Purpose Income						
State Government Grants						
- Targeted Capital Works & Equipment	-	-	3,972	16,822	3,972	16,822
- Other	-	-	9,555	1,975	9,555	1,975
- DHS Indirect Contribution	-	-	179	-	179	-
Commonwealth Government Capital Grants	-	-	-	10,000	-	10,000
Residential Accommodation Payments (Refer note 2c)	-	-	-	-	-	-
Net Gain/(Loss) on Disposal of Non-Current Assets (refer note 2d)	-	-	(161)	9	(161)	9
Capital Interest	-	-	867	81	867	81
Donations and Bequests	-	-	3,735	3,957	3,735	3,957
Other Capital Purpose Income	-	-	4,325	46	4,325	46
Sub-Total Revenue from Capital Purpose Income	-	-	22,472	32,890	22,472	32,890
Specific Income (Refer Note 2f)	-	-	1,957	2,000	1,957	2,000
Total Revenue (Refer Note 2a)	462,353	433,000	69,905	76,843	532,258	509,843

Indirect Contributions by Department of Human Services – Department of Human Services makes certain payments on behalf of the Health Service. These amounts have been brought to account in determining the operating result for the year by recording them as revenue and expenses.

Austin Health

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2007

Note 2a: Analysis of Revenue by Source

	Admitted Patients	Outpatients	EDS	Ambulatory	Mental Health	RAC	Aged Care	Other	Total
	2007 \$000	2007 \$000	2007 \$000	2007 \$000	2007 \$000	2007 \$000	2007 \$000	2007 \$000	2007 \$000
Revenue from Services Supported by Health Services Agreement									
Government Grants									
- Department of Human Services	232,328	47,476	13,966	44,165	37,234	911	1,026	2,032	379,138
- State Government - State									
- Commonwealth Government									
- Residential Aged Care Subsidy	-	-	-	-	-	2,708	-	-	2,708
- Other	10,409	3,676	1	1,696	687	1	2,119	-	18,589
Indirect Contributions by Human Services									
- Insurance	6,823	-	-	-	-	-	-	-	6,823
- Long Service Leave	3,257	255	117	252	220	27	12	9	4,151
Patient and Resident Fees (refer note 2c)	11,747	373	-	3,980	659	733	58		17,550
Residential Accommodation									
Payments (refer note 2c)	-	-	-	-	-	130	-	-	130
Recoupment from Private Practice for									
Use of Hospital Facilities	11,314	9,055	668	387	68	-	3	1	21,496
Laboratory Medicine	-	-	-	-	-	-	-	-	-
Diagnostic Imaging	137	41	10	6	2	-	-	-	196
Pharmacy Services	82	207	-	-	3	-	-	-	292
Donations and Bequests	18	-	-	19	2	-	-	-	39
Interest	-	-	-	-	-	-	-	-	-
Other Revenue	7,050	767	426	1,771	1,002	134	52	39	11,241
Sub-Total Revenue from Services Supported by Health Services Agreement	283,165	61,850	15,188	52,276	39,877	4,644	3,270	2,081	462,353

Austin Health

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2007

Note 2a: Analysis of Revenue by Source (continued)

	Admitted Patients	Outpatients	EDS	Ambulatory	Mental Health	RAC	Aged Care	Other	Total
	2007	2007	2007	2007	2007	2007	2007	2007	2007
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Revenue from Services Supported by Hospital and Community Initiatives									
<u>Internal and Restricted Specific Purpose Fund</u>									
- Private Practice and Other Patient Activities	-	-	-	-	-	-	-	4,174	4,174
- Laboratory Medicine	-	-	-	-	-	-	-	12,036	12,036
- Diagnostic Imaging	-	-	-	-	-	-	-	2,198	2,198
- Mental Health Services	-	-	-	-	-	-	-	1,204	1,204
- Pharmacy Services	-	-	-	-	-	-	-	484	484
- Affiliated Entities	-	-	-	-	-	-	-	3,778	3,778
- Retail Services	-	-	-	-	-	-	-	578	578
- Laundry	-	-	-	-	-	-	-	4,561	4,561
- Food Production Kitchen	-	-	-	-	-	-	-	180	180
- Car Park	-	-	-	-	-	-	-	5,558	5,558
- Research	-	-	-	-	-	-	-	2,494	2,494
- Cardiology	-	-	-	-	-	-	-	472	472
- Child Care	-	-	-	-	-	-	-	893	893
- Nuclear Medicine	-	-	-	-	-	-	-	1,387	1,387
- Fundraising	-	-	-	-	-	-	-	1,675	1,675
- Interest	-	-	-	-	-	-	-	1,523	1,523
- Hospital Department Funds	-	-	-	-	-	-	-	1,591	1,591
- Other	-	-	-	-	-	-	-	690	690
Sub-Total Revenue from Internal and Restricted Specific Purpose Funds	-	-	-	-	-	-	-	45,476	45,476

Austin Health

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2007

Note 2a: Analysis of Revenue by Source (continued)

	Admitted Patients	Outpatients	EDS	Ambulatory	Mental Health	RAC	Aged Care	Other	Total
	2007 \$000	2007 \$000	2007 \$000	2007 \$000	2007 \$000	2007 \$000	2007 \$000	2007 \$000	2007 \$000
Revenue from Services Supported by Hospital and Community Initiatives (continued)									
<u>Other Activities</u>									
- Capital Purpose Income (refer note 2)	-	-	-	-	-	-	-	22,633	22,633
- Net Gain on Disposal of Non-Current Assets (refer note 2d)	-	-	-	-	-	-	-	(161)	(161)
- Specific Income (refer note 2f)	-	-	-	-	-	-	-	1,957	1,957
Sub-Total Revenue from Other Activities								24,429	24,429
Sub-Total Revenue from Services Supported by Hospital and Community Initiatives	-	-	-	-	-	-	-	69,905	69,905
Total Revenue	283,165	61,850	15,188	52,276	39,877	4,644	3,270	71,986	532,258

Indirect Contributions by Department of Human Services – Department of Human Services makes certain payments on behalf of the Health Service. These amounts have been brought to account in determining the operating result for the year by recording them as revenue and expenses.

Austin Health

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2007

Note 2a: Analysis of Revenue by Source (continued)

	Admitted Patients	Outpatients	EDS	Ambulatory	Mental Health	RAC	Aged Care	Other	Total
	2006 \$000	2006 \$000	2006 \$000	2006 \$000	2006 \$000	2006 \$000	2006 \$000	2006 \$000	2006 \$000
Revenue from Services Supported by Health Services Agreement									
Government Grants									
- Department of Human Services	224,759	42,462	12,768	39,954	35,275	883	895	1,961	358,956
- Commonwealth Government									
- Residential Aged Care Subsidy	-	-	-	-	-	2,384	-	-	2,384
- Other	8,988	3,114	-	-	804	-	762	-	13,668
Indirect Contributions by Human Services									
- Insurance	5,813	-	-	-	-	-	-	-	5,813
- Long Service Leave	2,386	337	146	420	433	7	18	11	3,759
Patient and Resident Fees (refer note 2c)	13,225	287	-	883	641	-	113	-	15,149
Residential Accommodation									
Payments (refer note 2c)	-	-	-	-	-	819	-	-	819
Recoupment from Private Practice for									
Use of Hospital Facilities	9,942	7,745	597	492	62	-	2	1	18,841
Laboratory Medicine	-	-	-	-	-	-	-	-	-
Diagnostic Imaging	142	2	-	-	-	-	-	-	144
Pharmacy Services	73	233	-	-	3	-	-	2	311
Donations and Bequests	7	1	-	20	-	-	-	-	28
Interest	152	-	-	-	-	-	-	-	152
Other Revenue	9,344	786	339	1,398	881	139	54	35	12,976
Sub-Total Revenue from Services Supported by Health Services Agreement	274,831	54,967	13,850	43,167	38,099	4,232	1,844	2,010	433,000

Austin Health

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2007

Note 2a: Analysis of Revenue by Source (continued)

	Admitted Patients	Outpatients	EDS	Ambulatory	Mental Health	RAC	Aged Care	Other	Total
	2006 \$000	2006 \$000	2006 \$000	2006 \$000	2006 \$000	2006 \$000	2006 \$000	2006 \$000	2006 \$000
Revenue from Services Supported by Hospital and Community Initiatives									
<u>Internal and Restricted Specific Purpose Fund</u>									
- Private Practice and Other Patient Activities	-	-	-	-	-	-	-	3,848	3,848
- Laboratory Medicine	-	-	-	-	-	-	-	10,555	10,555
- Diagnostic Imaging	-	-	-	-	-	-	-	1,976	1,976
- Mental Health Services	-	-	-	-	-	-	-	1,179	1,179
- Pharmacy Services	-	-	-	-	-	-	-	189	189
- Affiliated Entities	-	-	-	-	-	-	-	4,018	4,018
- Retail Services	-	-	-	-	-	-	-	924	924
- Laundry	-	-	-	-	-	-	-	4,721	4,721
- Food Production Kitchen	-	-	-	-	-	-	-	-	-
- Car Park	-	-	-	-	-	-	-	5,140	5,140
- Property Income	-	-	-	-	-	-	-	18	18
- Research	-	-	-	-	-	-	-	2,337	2,337
- Cardiology	-	-	-	-	-	-	-	338	338
- Child Care	-	-	-	-	-	-	-	844	844
- Nuclear Medicine	-	-	-	-	-	-	-	920	920
- Fundraising	-	-	-	-	-	-	-	2,322	2,322
- Interest	-	-	-	-	-	-	-	869	869
- Hospital Department Funds	-	-	-	-	-	-	-	1,162	1,162
- Other	-	-	-	-	-	-	-	593	593
Sub-Total Revenue from Internal and Restricted Specific Purpose Funds	-	-	-	-	-	-	-	41,953	41,953

Austin Health

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2007

Note 2a: Analysis of Revenue by Source (continued)

	Admitted Patients	Outpatients	EDS	Ambulatory	Mental Health	RAC	Aged Care	Other	Total
	2006 \$000	2006 \$000	2006 \$000	2006 \$000	2006 \$000	2006 \$000	2006 \$000	2006 \$000	2006 \$000
Revenue from Services Supported by Hospital and Community Initiatives (continued)									
<u>Other Activities</u>									
- Capital Purpose Income (refer note 2)	-	-	-	-	-	-	-	32,881	32,881
- Net Gain on Disposal of Non-Current Assets (refer note 2d)	-	-	-	-	-	-	-	9	9
- Specific Income (refer note 2f)	-	-	-	-	-	-	-	2,000	2,000
Sub-Total Revenue from Other Activities	-	-	-	-	-	-	-	34,890	34,890
Sub-Total Revenue from Services Supported by Hospital and Community Initiatives	-	-	-	-	-	-	-	76,843	76,843
Total Revenue	274,831	54,967	13,850	43,167	38,099	4,232	1,844	78,853	509,843

Indirect Contributions by Department of Human Services – Department of Human Services makes certain payments on behalf of the Health Service. These amounts have been brought to account in determining the operating result for the year by recording them as revenue and expenses.

Austin Health

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2007

Note 2b: Expenses

	HSA	HSA	Non HSA	Non HSA	Total	Total
	2007	2006	2007	2006	2007	2006
	\$000	\$000	\$000	\$000	\$000	\$000
Employee Benefits						
Salaries and Wages	298,860	283,864	23,230	19,808	322,090	303,672
Workcover Premium	4,284	3,674	206	243	4,490	3,917
Superannuation	29,237	28,387	1,643	831	30,880	29,218
Long Service Leave	8,779	8,093	322	212	9,101	8,305
Departure Packages	319	1,067	2	179	321	1,246
Total Employee Benefits	341,479	325,085	25,403	21,273	366,882	346,358
Non Salary Labour Costs						
Agency Costs - Nursing	5,455	5,548	11	-	5,466	5,548
Agency Costs - Other	1,681	1,663	368	185	2,049	1,848
Total Non Salary Labour Costs	7,136	7,211	379	185	7,515	7,396
Supplies & Consumables						
Drug Supplies	23,866	21,779	3	(66)	23,869	21,713
S100 Drugs	6,822	7,054	-	1,451	6,822	8,505
Medical & Surgical Supplies and Prosthesis	41,156	36,277	1,554	584	42,710	36,861
Pathology Supplies	3,546	3,425	967	42	4,513	3,467
Food Supplies	3,266	3,259	104	0	3,370	3,259
Total Supplies & Consumables	78,656	71,794	2,628	2,011	81,284	73,805

Austin Health

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2007

Note 2b: Expenses (continued)

	HSA	HSA	Non HSA	Non HSA	Total	Total
	2007	2006	2007	2006	2007	2006
	\$000	\$000	\$000	\$000	\$000	\$000
Other Expenses from Continuing Operations						
Domestic Services & Supplies	3,681	3,288	(2,048)	463	1,633	3,751
Fuel, Light, Power and Water	4,982	5,241	535	601	5,517	5,842
Insurance costs funded by DHS	6,823	5,813	-	-	6,823	5,813
Motor Vehicle Expenses	404	423	100	119	504	542
Repairs and Maintenance	5,829	5,546	530	401	6,359	5,947
Maintenance Contracts	5,111	4,419	513	286	5,624	4,705
Patient Transport	1,083	941	-	-	1,083	941
Other Administrative Expenses	11,318	8,442	2,974	3,816	14,292	12,258
Bad & Doubtful Debts	329	400	80	14	409	414
Lease Expenses	2,310	2,713	2,298	2,674	4,608	5,387
Other	699	432	321	126	1,020	558
Audit Fees	324	193	-	-	324	193
Total Other Expenses from Continuing Operations	42,893	37,851	5,303	8,500	48,196	46,351
Depreciation and Amortisation (refer note 3)	-	-	29,050	31,516	29,050	31,516
Expenditure Using Capital Purpose Income	-	-	11,211	8,365	11,211	8,365
Finance Costs (refer note 4)	96	90	38	1	134	91
Total	96	90	40,299	39,882	40,395	39,972
Total Expenses	470,260	442,031	74,012	71,852	544,272	513,883

Austin Health

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2007

Note 2b(i): Analysis of Expenses by Source

	Admitted Patients	Outpatients	EDS	Ambulatory	Mental Health	RAC	Aged Care	Other	Total
	2007 \$000	2007 \$000	2007 \$000	2007 \$000	2007 \$000	2007 \$000	2007 \$000	2007 \$000	2007 \$000
Services Supported by Health Services Agreement									
<u>Employee Benefits</u>									
Salaries and Wages	177,016	31,089	13,814	39,872	30,975	3,495	1,469	1,130	298,860
Workcover	2,723	404	174	506	398	44	20	15	4,284
Superannuation	17,592	2,963	1,287	3,748	3,075	297	167	108	29,237
Long Service Leave	6,889	539	248	534	466	58	25	20	8,779
Departure Packages	271	30	1	8	5	2	1	1	319
<u>Non Salary Labour Costs</u>									
Agency Costs - Nursing	3,377	36	806	370	686	178	1	1	5,455
Agency Costs - Other	720	569	14	289	73	4	8	4	1,681
<u>Supplies & Consumables</u>									
Drug Supplies	15,283	8,002	18	18	541	4	-	-	23,866
S100 Drugs	-	6,822	-	-	-	-	-	-	6,822
Medical & Surgical Supplies and Prosthesis	30,355	4,254	887	3,456	285	87	1,111	721	41,156
Pathology Supplies	2,712	663	102	69	-	-	-	-	3,546
Food Supplies	2,052	33	14	640	267	257	1	2	3,266
<u>Other Expenses</u>									
Domestic Services & Supplies	2,478	248	192	457	225	53	20	8	3,681
Fuel, Light, Power and Water	2,169	422	90	1,531	710	30	30	-	4,982
Insurance costs funded by DHS	6,823	-	-	-	-	-	-	-	6,823
Motor Vehicle Expenses	178	49	5	66	93	1	9	3	404
Repairs and Maintenance	3,625	595	131	843	420	15	72	128	5,829
Maintenance Contracts	2,791	1,544	141	366	213	3	36	17	5,111
Patient Transport	1	1,079	0	3	-	-	-	-	1,083
Administrative Expenses	6,691	1,411	288	1,507	1,108	51	179	83	11,318
Bad & Doubtful Debts	313	13	2	1	-	-	-	-	329
Lease Expenses	638	1,066	18	236	309	4	37	2	2,310
Other	270	86	13	158	85	23	61	3	699
Sub-Total Expenses from Services Supported by Health Services Agreement	284,967	61,917	18,245	54,678	39,934	4,606	3,247	2,246	469,840

Austin Health

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2007

Note 2b(i): Analysis of Expenses by Source (continued)

	Admitted Patients	Outpatients	EDS	Ambulatory	Mental Health	RAC	Aged Care	Other	Total
	2007	2007	2007	2007	2007	2007	2007	2007	2007
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Services Supported by Hospital & Community Initiatives									
<u>Employee Benefits</u>									
Salaries and Wages	-	-	-	-	-	-	-	23,230	23,230
Workcover	-	-	-	-	-	-	-	206	206
Superannuation	-	-	-	-	-	-	-	1,643	1,643
Long Service Leave	-	-	-	-	-	-	-	322	322
Departure Packages	-	-	-	-	-	-	-	2	2
<u>Non Salary Labour Costs</u>									
Agency Costs - Nursing	-	-	-	-	-	-	-	11	11
Agency Costs - Other	-	-	-	-	-	-	-	368	368
<u>Supplies & Consumables</u>									
Drug Supplies	-	-	-	-	-	-	-	3	3
Medical & Surgical Supplies and Prosthesis	-	-	-	-	-	-	-	1,554	1,554
Pathology Supplies	-	-	-	-	-	-	-	967	967
Food Supplies	-	-	-	-	-	-	-	104	104
<u>Other Expenses</u>									
Domestic Services & Supplies	-	-	-	-	-	-	-	(2,048)	(2,048)
Fuel, Light, Power and Water	-	-	-	-	-	-	-	535	535
Motor Vehicle Expenses	-	-	-	-	-	-	-	100	100
Repairs and Maintenance	-	-	-	-	-	-	-	530	530
Maintenance Contracts	-	-	-	-	-	-	-	513	513
Patient Transport	-	-	-	-	-	-	-	-	-
Administrative Expenses	-	-	-	-	-	-	-	2,974	2,974
Bad & Doubtful Debts	-	-	-	-	-	-	-	80	80
Lease Expenses	-	-	-	-	-	-	-	2,298	2,298
Other	-	-	-	-	-	-	-	321	321
Sub-Total Expenses from Services Supported by Hospital & Community Initiatives	-	-	-	-	-	-	-	33,713	33,713

Austin Health

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2007

Note 2b(i): Analysis of Expenses by Source (continued)

	Admitted Patients	Outpatients	EDS	Ambulatory	Mental Health	RAC	Aged Care	Other	Total
	2007 \$000	2007 \$000	2007 \$000	2007 \$000	2007 \$000	2007 \$000	2007 \$000	2007 \$000	2007 \$000
Services Supported by Capital Sources									
<u>Employee Benefits</u>									
Salaries and Wages	-	-	-	-	-	-	-	358	358
Workcover	-	-	-	-	-	-	-	3	3
Superannuation	-	-	-	-	-	-	-	19	19
Long Service Leave	-	-	-	-	-	-	-	4	4
<u>Other Expenses</u>									
Domestic Services & Supplies	-	-	-	-	-	-	-	7	7
Repairs and Maintenance	-	-	-	-	-	-	-	37	37
Administrative Expenses	-	-	-	-	-	-	-	2,781	2,781
Lease Expenses	-	-	-	-	-	-	-	67	67
Other	-	-	-	-	-	-	-	7,935	7,935
Sub-Total Expenses from Services Supported by Capital Sources									
	-	-	-	-	-	-	-	11,211	11,211
Depreciation & Amortisation (refer note 3)	-	-	-	-	-	-	-	29,050	29,050
<u>Audit Fees</u>									
- Auditor-General's (refer note 20)	143	23	5	25	22	-	5	2	225
- Other	63	10	2	11	10	-	2	1	99
Finance Costs (refer note 4)	64	8	2	10	9	-	2	39	134
Total Expenses									
	285,237	61,958	18,254	54,724	39,975	4,606	3,256	76,262	544,272

Austin Health

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2007

Note 2b(i): Analysis of Expenses by Source (continued)

	Admitted Patients	Outpatients	EDS	Ambulatory	Mental Health	RAC	Aged Care	Other	Total
	2006 \$000	2006 \$000	2006 \$000	2006 \$000	2006 \$000	2006 \$000	2006 \$000	2006 \$000	2006 \$000
Services Supported by Health Services Agreement									
<u>Employee Benefits</u>									
Salaries and Wages	168,820	29,604	12,927	36,735	29,648	3,484	1,532	1,114	283,864
Workcover	2,185	383	167	475	384	45	20	14	3,674
Superannuation	17,441	2,919	1,221	3,393	2,864	289	150	110	28,387
Long Service Leave	5,138	726	314	904	933	16	38	24	8,093
Departure Packages	975	44	1	37	7	1	1	1	1,067
<u>Non Salary Labour Costs</u>									
Agency Costs - Nursing	3,530	21	642	439	750	166	-	-	5,548
Agency Costs - Other	810	594	28	111	81	13	21	5	1,663
<u>Supplies & Consumables</u>									
Drug Supplies	18,717	2,289	17	22	725	9	-	-	21,779
S100 Drugs	-	7,054	-	-	-	-	-	-	7,054
Medical & Surgical Supplies and Prosthesis	27,113	4,014	877	2,313	292	94	819	755	36,277
Pathology Supplies	2,610	647	100	67	1	-	-	-	3,425
Food Supplies	2,050	34	11	627	279	255	1	2	3,259
<u>Other Expenses</u>									
Domestic Services & Supplies	2,241	227	144	392	206	54	17	7	3,288
Fuel, Light, Power and Water	3,370	120	154	831	676	57	41	(8)	5,241
Insurance costs funded by DHS	5,813	-	-	-	-	-	-	-	5,813
Motor Vehicle Expenses	185	48	4	68	101	1	8	8	423
Repairs and Maintenance	3,217	526	188	750	589	67	57	152	5,546
Maintenance Contracts	2,125	1,692	100	297	165	2	26	12	4,419
Patient Transport	-	920	-	21	-	-	-	-	941
Administrative Expenses	4,280	1,556	290	1,246	808	45	138	79	8,442
Bad & Doubtful Debts	400	-	-	-	-	-	-	-	400
Lease Expenses	775	1,222	23	351	305	3	32	2	2,713
Other	187	76	14	71	41	1	36	6	432
Sub-Total Expenses from Services Supported by Health Services Agreement									
	271,982	54,716	17,222	49,150	38,855	4,602	2,937	2,283	441,748

Austin Health

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2007

Note 2b(i): Analysis of Expenses by Source (continued)

	Admitted Patients	Outpatients	EDS	Ambulatory	Mental Health	RAC	Aged Care	Other	Total
	2006 \$000	2006 \$000	2006 \$000	2006 \$000	2006 \$000	2006 \$000	2006 \$000	2006 \$000	2006 \$000
Services Supported by Hospital & Community Initiatives									
<u>Employee Benefits</u>									
Salaries and Wages	-	-	-	-	-	-	-	19,808	19,808
Workcover	-	-	-	-	-	-	-	243	243
Superannuation	-	-	-	-	-	-	-	831	831
Long Service Leave	-	-	-	-	-	-	-	212	212
Departure Packages	-	-	-	-	-	-	-	179	179
<u>Non Salary Labour Costs</u>									
Agency Costs - Nursing	-	-	-	-	-	-	-	-	-
Agency Costs - Other	-	-	-	-	-	-	-	185	185
<u>Supplies & Consumables</u>									
Drug Supplies	-	-	-	-	-	-	-	(66)	(66)
Medical & Surgical Supplies and Prosthesis	-	-	-	-	-	-	-	1,451	1,451
Pathology Supplies	-	-	-	-	-	-	-	584	584
Food Supplies	-	-	-	-	-	-	-	42	42
<u>Other Expenses</u>									
Domestic Services & Supplies	-	-	-	-	-	-	-	463	463
Fuel, Light, Power and Water	-	-	-	-	-	-	-	601	601
Motor Vehicle Expenses	-	-	-	-	-	-	-	119	119
Repairs and Maintenance	-	-	-	-	-	-	-	401	401
Maintenance Contracts	-	-	-	-	-	-	-	286	286
Patient Transport	-	-	-	-	-	-	-	-	-
Administrative Expenses	-	-	-	-	-	-	-	3,816	3,816
Bad & Doubtful Debts	-	-	-	-	-	-	-	14	14
Lease Expenses	-	-	-	-	-	-	-	2,674	2,674
Other	-	-	-	-	-	-	-	126	126
Sub-Total Expenses from Services Supported by Hospital & Community Initiatives	-	-	-	-	-	-	-	31,969	31,969

Austin Health

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2007

Note 2b(i): Analysis of Expenses by Source (continued)

	Admitted Patients	Outpatients	EDS	Ambulatory	Mental Health	RAC	Aged Care	Other	Total
	2006 \$000	2006 \$000	2006 \$000	2006 \$000	2006 \$000	2006 \$000	2006 \$000	2006 \$000	2006 \$000
Services Supported by Capital Sources									
<u>Employee Benefits</u>									
Salaries and Wages	-	-	-	-	-	-	-	486	486
Workcover	-	-	-	-	-	-	-	6	6
Superannuation	-	-	-	-	-	-	-	24	24
Long Service Leave	-	-	-	-	-	-	-	54	54
<u>Non Salary Labour Costs</u>									
Agency Costs - Other	-	-	-	-	-	-	-	5	5
<u>Other Expenses</u>									
Domestic Services & Supplies	-	-	-	-	-	-	-	10	10
Motor Vehicle Expenses	-	-	-	-	-	-	-	13	13
Administrative Expenses	-	-	-	-	-	-	-	2,172	2,172
Other	-	-	-	-	-	-	-	5,595	5,595
Sub-Total Expenses from Services Supported by Capital Sources									
	-	-	-	-	-	-	-	8,365	8,365
Depreciation & Amortisation (refer note 3)	-	-	-	-	-	-	-	31,516	31,516
<u>Audit Fees</u>									
- Auditor-General's (refer note 20)	27	4	1	4	4	-	1	1	42
- Other	97	15	3	17	15	-	3	1	151
Finance Costs (refer note 4)	58	9	2	10	9	-	2	1	91
Total Expenses	272,164	54,744	17,228	49,181	38,883	4,602	2,943	74,137	513,883

Austin Health

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2007

Note 2c: Patient and Resident Fees

	Patient Fees Raised	
	2007	2006
	\$000	\$000
Patient and Resident Fees Raised (*)		
Recurrent:		
Acute		
- Inpatients	14,363	13,566
- Outpatients	22,792	19,444
- Other	-	-
Residential Aged Care		
- Generic	731	709
- Residential Accommodation Payments (**)	130	109
Mental Health	659	649
Prosthetics & Orthotics	501	332
Total Recurrent	39,176	34,809

The Service charges fees in accordance with the Department of Human Services Victoria directives.

* Patient Fees Raised is inclusive of Patient Fees and Recoupment from Private Practice for Use of Hospital Facilities

** This includes accommodation charges.

Note 2d: Net Gain on Disposal of Non-Current Assets

	Total	Total
	2007	2006
	\$000	\$000
Proceeds from Disposal of Property, Plant and Equipment	22	26
Less: Written down value of Non-Current Assets Sold	183	17
Net Gains/(Loss) on Disposal of Non-Current Assets	(161)	9

Note 2e: Assets Received Free of Charge or For Nominal Consideration

There were no assets received free of charge or for nominal consideration for the year ended 30 June, 2007 and 30 June, 2006.

Note 2f: Specific Revenues

	Total	Total
	2007	2006
	\$000	\$000
Rights Fee (i)	-	2,000
Gain on Fixed Asset Stocktake (ii)	1,957	-
	1,957	2,000

(i) **Rights Fee** - A Rights Fee was received from a contractor, payable on signing of the lease arrangement – signed 30 June 2006.

(ii) **Fixed Asset Stocktake** – Dominion Valuers were contracted to perform a physical stocktake of all Fixed Assets excluding Land, Buildings and Linen. The stocktake was conducted as at 30 June 2007. The stocktake has resulted in a gain of \$1,957,000.

Austin Health

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2007

Note 2g: Analysis of Expenses by Internal and Restricted Specific Purpose Funds for Services Supported by Hospital and Community Initiatives

	Total 2007 \$000	Total 2006 \$000
- Private Practice and Other Patient Activities	3,565	2,611
- Laboratory Medicine	12,063	10,404
- Diagnostic Imaging	1,344	1,469
- Mental Health Services	1,266	1,502
- Pharmacy Services	176	179
- Affiliated Entities	3,781	3,994
- Retail Services	69	566
- Laundry	3,794	4,345
- Food Production Kitchen	242	-
- Car Park	760	807
- Research	2,076	1,741
- Cardiology	466	375
- Child Care	780	753
- Nuclear Medicine	915	675
- Fundraising	911	1,318
- Hospital Department Funds	933	1,005
- Other	610	225
	<u>33,751</u>	<u>31,969</u>

Note 3: Depreciation and Amortisation

	Total 2007 \$000	Total 2006 \$000
Depreciation		
Buildings	16,669	16,361
Plant	1,149	2,999
Transport	77	95
Major Medical	6,583	6,743
Computers and Communication	2,054	2,206
Other Equipment	684	756
Furniture and Fittings	45	578
Linen	793	835
Total Depreciation	<u>28,054</u>	<u>30,573</u>
Amortisation		
Intangible Assets	996	943
	<u>996</u>	<u>943</u>
Total Depreciation & Amortisation	<u>29,050</u>	<u>31,516</u>

Austin Health

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2007

Note 4: Finance Costs

	Total 2007 \$000	Total 2006 \$000
Bank Charges	88	91
Interest on Long Term Borrowings	46	-
Total	134	91

Note 5: Cash and Cash Equivalents

	Total 2007 \$000	Total 2006 \$000
Cash on Hand	87	82
Cash at Bank	11,038	17,533
Deposits at Call	9,600	3,000
Total	20,725	20,615

Represented by:

Cash for Health Service Operations (as per Cash Flow Statement)	20,694	20,599
Cash for Monies Held in Trust		
- Cash at Bank	31	16
	31	16
Total	20,725	20,615

Note 6: Receivables

	Total 2007 \$000	Total 2006 \$000
Current Receivables		
Inter Hospital Debtors	2,786	1,641
Trade Debtors	9,078	13,412
Patient Fees	8,136	8,152
GST Receivable	1,369	1,608
Accrued Investment Income	196	46
Accrued Revenue:		
- DHS	4,481	-
- Other	2,191	1,956
Total	28,237	26,815
Less: Provision for Doubtful Debts		
Trade Debtors	445	1,169
Patient Fees	867	646
Total	1,312	1,815
Total Current Receivables	26,925	25,000

Austin Health

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2007

Note 6: Receivables (continued)

	Total 2007 \$000	Total 2006 \$000
Non-Current Receivables		
DHS - Long Service Leave	10,751	13,202
Bad and Doubtful Debts		
Trade Debtors	39	124
Patient Debtors	370	290
	<u>409</u>	<u>414</u>

Note 7: Other Financial Assets

	Total 2007 \$000	Total 2006 \$000
Current		
Term Deposits - Special Purpose Funds	30	-
Term Deposits - Capital	13,037	10,000
Total	<u>13,067</u>	<u>10,000</u>
Non-Current		
Shares - Special Purpose Fund	154	154
	<u>13,221</u>	<u>10,154</u>
Represented by:		
Health Service Investments	13,221	10,154

Note 8: Inventory

	Total 2007 \$000	Total 2006 \$000
Current - at cost		
Pharmaceuticals	2,321	1,995
Catering Supplies	59	55
Housekeeping Supplies	49	47
Medical and Surgical Lines	2,578	2,721
Administrative Stores	3	44
Total	<u>5,010</u>	<u>4,862</u>

Note 9: Other Assets

	Total 2007 \$000	Total 2006 \$000
Current - Prepayments	<u>1,328</u>	<u>686</u>

Austin Health

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2007

Note 10: Property, Plant & Equipment

	Total 2007 \$000	Total 2006 \$000
Land		
- Land at valuation*	101,381	101,381
Total Land	101,381	101,381
Buildings		
- Buildings under Construction	791	-
- Buildings at Cost	341,766	288,823
Less Accumulated Depreciation	16,260	7,992
	325,506	280,831
- Buildings at Valuation *	187,065	187,360
Less Accumulated Depreciation	16,734	8,383
	170,331	178,977
Total Buildings	496,628	459,808
Plant and Equipment at Cost		
- Plant and Equipment	20,829	38,796
Less Accumulated Depreciation	13,900	23,966
Total Plant and Equipment	6,929	14,830
Transport at Cost		
- Transport	1,180	1,045
Less Accumulated Depreciation	1,090	875
Total Transport	90	170
Major Medical at Cost		
- Major Medical under Construction	606	2,009
- Major Medical	63,451	91,182
Less Accumulated Depreciation	37,817	76,277
Total Major Medical	26,240	16,914
Computers and Communication at Cost		
- Computers and Communication	8,284	22,398
Less Accumulated Depreciation	7,058	16,734
Total Computers and Communication at Cost	1,226	5,664
Other Equipment at Cost		
- Other Equipment	3,764	9,801
Less Accumulated Depreciation	1,396	7,600
Total Other Equipment	2,368	2,201
Furniture and Fittings at Cost		
- Furniture and Fittings	883	6,170
Less Accumulated Depreciation	454	1,252
Total Furniture and Fittings	429	4,918

Austin Health

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2007

Note 10: Property, Plant & Equipment (continued)

	Total 2007 \$000	Total 2006 \$000
Linen at Cost		
- Linen	4,097	4,280
Less Accumulated Depreciation	3,132	3,031
Total Linen	<u>965</u>	<u>1,249</u>
Total	<u>636,256</u>	<u>607,135</u>

* Austin Health's property portfolio was re-valued as at 30 June 2005 by URBIS/JHD, property valuers. This revaluation covered all properties of Austin Health's three main campuses as well as associated properties but excluded properties, plant and equipment which have been transferred to Austin Health at cost and in the form of Contributed Capital at 30 June 2005 by the Minister for Health. These assets were transferred as part of the redevelopment of the Austin Hospital, which was completed in May 2005.

** Dominion Valuers were contracted to perform a physical stocktake on all fixed assets excluding land, buildings and linen as at 30 June 2007. This has resulted in a net gain after adjusting the Gross Cost and associated Accumulated Depreciation of \$1,957,000.

Austin Health

Notes to and Forming part of the Financial Statements for Year Ended 30 June 2007

Note 10: Property, Plant & Equipment (continued)

Reconciliation of the carrying amount of each class of asset at the beginning and end of the previous and current financial year is set out below.

	Land	Buildings	Plant & Equipment	Transport	Major Medical	Computers & Comm'ns	Other Equipment	Furniture & Fittings	Linen	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Balance at 1 July 2005	101,381	468,431	15,921	115	14,997	6,865	2,722	118	1,283	611,833
Additions	-	5,204	4,442	159	8,666	1,005	237	5,378	801	25,892
Disposals	-	-	-	(9)	(6)	-	(2)	-	-	(17)
Net Transfers between Classes	-	2,534	(2,534)	-	-	-	-	-	-	-
Depreciation Expense (refer Note 3)	-	(16,361)	(2,999)	(95)	(6,743)	(2,206)	(756)	(578)	(835)	(30,573)
Balance at 1 July 2006	101,381	459,808	14,830	170	16,914	5,664	2,201	4,918	1,249	607,135
Additions	-	46,288	3,068	17	8,141	736	573	21	509	59,353
Disposals	-	(183)	-	-	-	-	-	-	-	(183)
Revaluation Decrement *	-	-	(3,952)	-	-	-	-	-	-	(3,952)
Net Result of Fixed Asset Stocktake **	-	-	(3,827)	(20)	7,768	(3,120)	278	878	-	1,957
Net Transfers between Classes	-	7,384	(2,041)	-	-	-	-	(5,343)	-	-
Depreciation Expense (refer Note 3)	-	(16,669)	(1,149)	(77)	(6,583)	(2,054)	(684)	(45)	(793)	(28,054)
Balance at 30 June 2007	101,381	496,628	6,929	90	26,240	1,226	2,368	429	965	636,256

* Revaluation Decrement – as a result of the fixed asset stocktake items where noted in Plant & Equipment that should have been reclassified to buildings as part of the Land and Buildings Revaluation conducted in 2005. Therefore the Asset Revaluation Reserve – Buildings has been reduced by \$3,952,000 to reflect the previous overstatement of the Reserve resulting from the understatement of buildings at time of valuation.

** Dominion Valuers were contracted to perform a physical stocktake on all fixed assets excluding land, buildings and linen.

Austin Health

Notes to and Forming part of the Financial Statements for Year Ended 30 June 2007

Note 11: Intangible Assets

	Total 2007 \$000	Total 2006 \$000
Software	5,873	5,463
Less Accumulated Amortisation	4,602	3,605
Total	1,271	1,858

Reconciliation of the carrying amount of intangible assets at the beginning and end of the previous and current financial year is set out below.

	Software \$000	Total \$000
Balance at 1 July 2005	1,992	1,992
Additions	809	809
Disposals	-	-
Amortisation Expense (refer Note 3)	(943)	(943)
Balance at 1 July 2006	1,858	1,858
Additions	409	409
Disposals	-	-
Amortisation Expense (refer Note 3)	(996)	(996)
Balance at 30 June 2007	1,271	1,271

Note 12: Payables

	Total 2007 \$000	Total 2006 \$000
Current		
Trade Creditors	17,888	20,980
Accrued Interest	38	-
Accrued Expenses	9,617	7,600
GST Payable	3,342	4,028
DHS	-	2,206
Pay As You Go Withholding	1,061	1,177
Superannuation Payable	3,554	-
Salary Packaging	4,482	5,830
Other	248	553
Total	40,230	42,374

Austin Health

Notes to and Forming part of the Financial Statements for Year Ended 30 June 2007

Note 13: Interest Bearing Liabilities

	Total 2007 \$000	Total 2006 \$000
Current - Secured		
Australian Dollar Borrowings - Treasury Corporation Victoria	78	-
Non-Current - Secured		
Australian Dollar Borrowings - Treasury Corporation Victoria	4,922	-

Terms and conditions of Interest Bearing Liabilities - Treasury Corporation Victoria

- a) Repayments are quarterly with the final instalment due 25 years from date of the last draw down in April 2008.
- b) Average interest rate applied during 2006/07 was 6.35%.
- c) The loan is secured by a Statutory Guarantee from the Government of Victoria in favour of Treasury Corporation Victoria under Section 30 of the Health Services Act.
- d) Total approved value of borrowings is \$25M of which further \$20M is to be drawn down in \$2M instalments monthly until the balance of \$25M is reached in April 2008.

Note 14: Provisions

	Total 2007 \$000	Total 2006 \$000
Current		
Employee Benefits (Refer Note 14a)	96,077	89,990
Non-Current		
Employee Benefits (Refer Note 14a)	9,970	9,340
Movement in Provisions - Employee Benefits:		
Carrying amount at start of year	99,330	91,532
Provision made during the year	52,422	47,339
Settlement made during the year	(45,705)	(39,794)
Transfer from Other Health Service	-	253
Carrying amount at end of year	106,047	99,330

Note 14a: Employee Benefits

	Total 2007 \$000	Total 2006 \$000
Current (refer note 1q)		
Unconditional Long Service Leave Entitlements **	48,611	45,090
Annual Leave Entitlements	36,599	35,733
Accrued Salaries and Wages	8,594	7,342
Accrued Days Off	2,273	1,825
Total *	96,077	89,990
* Current Employee Benefits that:		
Expected to be utilised within 12 months (nominal value)	45,647	42,844
Expected to be utilised after 12 months (present value)	50,430	47,146
	96,077	89,990

Austin Health

Notes to and Forming part of the Financial Statements for Year Ended 30 June 2007

Note 14a: Employee Benefits (continued)

	Total 2007 \$000	Total 2006 \$000
Non-Current (refer note 1q)		
Conditional Long Service Leave Entitlements (present value) **	9,970	9,340
Total	9,970	9,340
Movement in Long Service Leave:		
Balance at start of year	54,430	50,875
Provision made during the year	9,105	8,359
Settlement made during the year	(4,954)	(4,804)
Balance at end of year	58,581	54,430

** As explained in note 1(q), the amount for long service leave is measured at its present value. The following assumptions were adopted in measuring present values:

- Weighted Average Discount Rates	6.31%	5.78%
- Wage Inflation Rate	4.50%	4.75%

Note 15: Other Liabilities

	Total 2007 \$000	Total 2006 \$000
Current		
Patient Monies Held in Trust (represented by Cash Assets - refer note 5)	31	16
Borrowings - Department of Human Services*	168	47
Other	98	381
Total	297	444
Non-Current		
Borrowings - Department of Human Services*	587	501

* Borrowings - Department of Human Services

- a) Austin Health has two loans repayable to the Department of Human Services.
- b) - Repayments on the first loan are monthly with the final instalment due on 30 June 2013
- Repayments on the second loan are annually with the final instalment due on 30 June 2011
- c) These are interest free loans, however a present value calculation has applied an interest rate of 6.43% during 2006/07 (2005/06: 5.84%).

Austin Health

Notes to and Forming part of the Financial Statements for Year Ended 30 June 2007

Note 16: Equity & Reserves

	Total 2007 \$000	Total 2006 \$000
(a) Reserves		
<i>Asset Revaluation Reserve</i>		
Balance at the Beginning of the Reporting Period	124,771	124,771
Revaluation Decrements:		
- Land	-	-
- Buildings	(3,952)	-
Balance at the end of the Reporting Period	<u>120,819</u>	<u>124,771</u>
Represented by:		
- Land	71,829	71,829
- Buildings	48,990	52,942
	<u>120,819</u>	<u>124,771</u>
<i>Restricted Specific Purpose Reserve</i>		
Balance at the Beginning of the Reporting Period	1,933	3,971
Transfers to/(from) Restricted Specific Purpose Reserve	755	(2,038)
Balance at the end of the Reporting Period	<u>2,688</u>	<u>1,933</u>
Total Reserves	<u>123,507</u>	<u>126,704</u>
(b) Contributed Capital		
Balance at the Beginning of the Reporting Period	479,891	466,048
Capital Contributions Received from Victorian Government	38,429	13,843
Balance at the end of the Reporting Period	<u>518,320</u>	<u>479,891</u>
(c) Accumulated Deficits		
Balance at the Beginning of the Reporting Period	(65,732)	(63,064)
Net Result for the Year	(12,014)	(4,040)
Transfers to/(from) Restricted Specific Purpose Reserve	(755)	2,038
Adjustments Resulting from Change in Accounting Policy	-	(666)
Balance at the end of the Reporting Period	<u>(78,501)</u>	<u>(65,732)</u>
(d) Total Equity at the end of Financial Year	<u>563,326</u>	<u>540,863</u>

Austin Health

Notes to and Forming part of the Financial Statements for Year Ended 30 June 2007

Note 17: Reconciliation of Net Result for the Year to Net Cash Inflow/(Outflow) from Operating Activities

	Total 2007 \$000	Total 2006 \$000
Net Result for the Year	(12,014)	(4,040)
Indirect Other Capital Income	(4,291)	
Depreciation and Amortisation	29,050	31,516
Provision for Doubtful Debts	(503)	807
Interest on Loan	8	(153)
Net (Gain)/Loss from Sale of Plant and Equipment	161	(9)
DHS Capital Grant - Indirect Contribution	(179)	-
Specific Income	(1,957)	(2,000)
GST on Capital Purchases	2,066	1,931
Change in Operating Assets & Liabilities:		
Increase/(Decrease) in Payables	(2,144)	860
Increase in Employee Benefits	6,717	7,798
Decrease in Other Liabilities	(283)	(307)
Decrease in Receivables	1,029	579
Increase in Inventories	(148)	(473)
Increase in Prepayments	(642)	(245)
Net Cash Inflow from Operating Activities	<u>16,870</u>	<u>36,264</u>

Note 18: Non-Cash Financing and Investing Activities

	Total 2007 \$000	Total 2006 \$000
Acquisition of Assets through Other Capital Revenue	4,291	-
Repayment of Loan to DHS through Contributed Capital	-	8,187
Acquisition of Assets through Contributed Capital	38,429	5,656
Acquisition of Assets through offset of Rights Fee (refer note 2f)	-	2,000
Total	<u>42,720</u>	<u>15,843</u>

Note 19: Financial Instruments

(a) Risk Management Policies

Financial transactions are overviewed by comprehensive Treasury Risk Management Objectives and Policies that incorporate Credit Risk, Liquidity Risk, Interest Management and Permitted Instruments.

(b) Significant Accounting Policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in Note 1.

(c) Significant terms and conditions

The financial assets and financial liabilities are not subject to any significant terms and conditions that may affect the amount, timing and certainty of future cash flows.

Austin Health

Notes to and Forming part of the Financial Statements for Year Ended 30 June 2007

Note 19: Financial Instruments (continued)

(d) Credit Risk Exposure

There have not been any significant exposures to credit risk identified for the financial year ending June 2007 or the financial year ended June 2006.

(e) Interest Rate Risk Exposure

The Health Service's exposure to interest rate risk and effective weighted average interest rate by maturity periods is set out in the following table. For interest rates applicable to each class of asset or liability, refer to individual notes to the financial statements. Exposure arises predominantly from assets and liabilities bearing variable interest rates.

Interest Rate Exposure as at 30 June 2007

	Fixed Interest Rate Maturing								
	Floating Interest Rate \$000	1 Year or Less \$000	Over 1 to 2 Years \$000	Over 2 to 3 Years \$000	Over 3 to 4 Years \$000	Over 4 to 5 Years \$000	Over 5 Years \$000	Non Interest Bearing \$000	Total 2007 \$000
Financial Assets									
Cash Assets	20,725	-	-	-	-	-	-	-	20,725
Trade Debtors	-	-	-	-	-	-	-	11,419	11,419
Other Receivables	-	-	-	-	-	-	-	26,256	26,256
Other Financial Assets	-	13,067	-	-	-	-	-	154	13,221
Total Financial Assets	20,725	13,067	-	-	-	-	-	37,829	71,621
Financial Liabilities									
Trade Creditors and Accruals	-	-	-	-	-	-	-	40,230	40,230
Interest Bearing Liabilities - TCV Loan	-	78	84	89	95	102	4,552	-	5,000
Other Liabilities	-	-	-	-	-	-	-	129	129
Borrowings - DHS	-	-	-	-	-	-	-	755	755
Total Financial Liabilities	-	78	84	89	95	102	4,552	41,114	46,114
Net Financial Assets/Liabilities	20,725	12,989	(84)	(89)	(95)	(102)	(4,552)	(3,285)	25,507
Weighted Average Interest Rate									
- Financial Assets	6.13%	6.42%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
- Financial Liabilities	0.00%	6.35%	6.35%	6.35%	6.35%	6.35%	6.35%	6.35%	

Austin Health

Notes to and Forming part of the Financial Statements for Year Ended 30 June 2007

Note 19: Financial Instruments (continued)

Interest rate exposure as at 30 June 2006

	Fixed Interest Rate Maturing			Total 2006 \$000
	Floating Interest Rate \$000	1 Year or Less \$000	Non Interest Bearing \$000	
Financial Assets				
Cash Assets	20,615	-	-	20,615
Trade Debtors	-	-	13,884	13,884
Other Receivables	-	-	24,318	24,318
Other Financial Assets	-	10,000	154	10,154
Total Financial Assets	20,615	10,000	38,356	68,971
Financial Liabilities				
Trade Creditors and Accruals	-	-	42,374	42,374
Other Liabilities	-	-	397	397
Borrowings	-	-	548	548
Total Financial Liabilities	-	-	43,319	43,319
Net Financial Assets/Liabilities	20,615	10,000	(4,963)	25,652

Weighted Average Interest Rate

= Financial Assets 5.66% 6.16%

(f) Credit Risk Exposure

Credit risk represents the loss that would be recognised if counterparties fail to meet their obligations under the respective contracts at maturity. The credit risk on financial assets of the entity have been recognised on the Balance Sheet, as the carrying amount, net any provisions for doubtful debts.

(g) Fair Value of Financial Assets and Liabilities

The carrying amount of financial assets and liabilities contained within these financial statements is representative of the fair value of each financial asset or liability.

Note 20: Remuneration of Auditors

	Total 2007 \$000	Total 2006 \$000
Audit fees paid or payable to the Victorian Auditor-General's Office for audit of Austin Health's Financial Report:		
- Current year Financial Report	168	147
- Prior year Financial Report	57	-
Total Paid and Payable	225	147

Note 21: Contingent Liabilities

There are no contingent liabilities as at 30 June 2007 and 30 June 2006.

Austin Health

Notes to and Forming part of the Financial Statements for Year Ended 30 June 2007

Note 22: Commitments for Expenditure

	Total 2007 \$000	Total 2006 \$000
Capital Commitments		
Land and Buildings	26,683	3,982
Plant and Equipment	7,808	4,274
Total Capital Commitments	34,491	8,256
Not later than one year	31,436	8,256
Later than one year and not later than five years	3,055	-
Later than five years	-	-
Total	34,491	8,256
Lease Commitments		
Commitments in relation to leases contracted for at the reporting date:		
Operating Leases	6,255	4,997
Operating Leases - Non-Cancellable:		
Not later than one year	2,404	1,241
Later than one year and not later than five years	3,844	3,756
Later than five years	7	-
Total	6,255	4,997

Austin Health has entered into Operating Lease arrangements with various financial organisations mainly to lease assets in the Medical Equipment class. The average lease term is five (5) years and the commitments represent payments due under non-cancellable operating leases. The lease payments are recognised as an expense during the year and the total payment made in 2007 financial year was \$4,675,000 (2006: \$5,387,000) - Note 2b.

Note 23: Events Occurring after Report Date

There were no events occurring after Report Date.

Austin Health

Notes to and Forming part of the Financial Statements for Year Ended 30 June 2007

Note 24a: Responsible Persons Disclosures

(a) **Responsible Persons**

The Hon. Bronwyn Pike, Minister for Health
The Hon. Daniel Andrews – As of 3rd August 2007

The Austin Health Board

Mr Tim Daly (Chairman)
Ms Joanna Betteridge
Professor Colin Johnston AO
Ms Joe Manton
Mr Robert Webster
Ms Barbara Hingston
Ms Josie Rizza
Professor David Scott AO
Mr Stephen Kerr

Accountable Officer

Dr Brendan Murphy

(b) **Remuneration of Responsible Persons**

The number of Responsible Persons are shown in their relevant income bands:

		2007	2006
		No.	No.
\$0	-	-	2
\$10,000	-	-	3
\$20,000	-	8	4
\$30,000	-	-	1
\$60,000	-	1	-
\$280,000	-	-	1
\$320,000	-	1	-
		10	11

Total remuneration received or due and receivable by Responsible Persons from Austin Health amounted to:

2007	2006
\$	\$
609,530	462,781

Amounts relating to Responsible Ministers are reported in the Financial Statement of the Department of Premier and Cabinet

(c) **Retirement Benefits of Responsible Person**

There were no retirement benefits paid to Directors during the year.

(d) **Other Transactions of Responsible Persons and their Related Parties.**

Austin Health Chair, Mr Tim Daly, is also the Chair of the Metropolitan Ambulance Service, an organisation that Austin Health has ongoing dealings with. All transactions were under normal commercial conditions and at arms length.

There were no other transactions with responsible persons or their related entities other than those within normal employee relationships on terms and conditions no more favourable than those available in similar arms length dealings.

Austin Health

Notes to and Forming part of the Financial Statements for Year Ended 30 June 2007

Note 24b: Executive Officer Disclosures

Executive Officer Remuneration

The number of Executive Officers other than Ministers and Accountable Officers, and their total remuneration during the reporting period are shown in the first two columns in the table below in their relevant income bands. The base remuneration of Executive Officers is shown in the third and fourth columns. Base remuneration is exclusive of bonus payments, LSL payments, redundancy payments and retirement benefits.

\$140,000	-	\$149,999
\$160,000		\$169,999
\$170,000	-	\$179,999
\$180,000		\$189,999
\$190,000	-	\$199,999
\$200,000	-	\$209,999
\$210,000	-	\$219,999
\$220,000	-	\$229,999
\$230,000	-	\$239,999
\$240,000	-	\$249,999
\$250,000	-	\$259,999

Total Remuneration		Base Remuneration	
2007	2006	2007	2006
No	No	No	No
-	1	-	1
1	-	1	-
-	-	-	2
-	1	2	1
2	2	2	-
1	-	-	-
-	2	-	2
-	-	1	-
1	-	-	-
1	1	1	1
1	-	-	-
7	7	7	7

Total Remuneration		Base Remuneration	
2007	2006	2007	2006
\$	\$	\$	\$
1,487,916	1,406,810	1,392,917	1,368,909

Total remuneration for the reporting period for Executive Officers included above amounted to:

Austin Health

Notes to and Forming part of the Financial Statements for Year Ended 30 June 2007

Note 25: Segment Reporting

	RACS	RACS	Acute	Acute	Other	Other	Total	Total
	2007	2006	Services	Services	2007	2006	2007	2006
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Revenue								
External Segment Revenue	4,644	4,232	412,480	386,815	-	-	417,124	391,047
Inter-segment Revenue	0	-	-	-	-	-	-	-
Total Revenue	4,644	4,232	412,480	386,815	-	-	417,124	391,047
Result								
Segment Result	38	(370)	(7,693)	(6,655)	-	-	(7,655)	(7,025)
Unallocated Revenue	-	-	-	-	112,684	117,748	112,684	117,748
Unallocated Expense	-	-	-	-	(119,493)	(115,963)	(119,493)	(115,963)
Net Result from Ordinary Activities	-	-	-	-	(6,809)	1,785	(6,809)	1,785
Interest Income	-	-	-	152	2,450	1,048	2,450	1,200
Net Result for the Year	38	(370)	(7,693)	(6,503)	(4,369)	2,833	(12,014)	(4,040)
Other Information								
Segment Assets	3,562	2,949	480,721	453,995	-	-	484,283	456,944
Unallocated Assets	-	-	-	-	231,204	226,568	231,204	226,568
Total Assets	3,562	2,949	480,721	453,995	231,204	226,568	715,487	683,512
Segment Liabilities	1,151	1,005	96,138	84,592	-	-	97,289	85,597
Unallocated Liabilities	-	-	-	-	54,872	57,052	54,872	57,052
Total Liabilities	1,151	1,005	96,138	84,592	54,872	57,052	152,161	142,649
Acquisition of Property, Plant, Equipment and Intangible Assets	102	52	41,191	17,241	18,469	9,408	59,762	26,701
Depreciation & Amortisation Expense	40	48	19,654	18,081	9,356	13,387	29,050	31,516

Austin Health

Notes to and Forming part of the Financial Statements for Year Ended 30 June 2007

Note 25: Segment Reporting (continued)

The major products/services from which the above segments derive revenue are:

Business Segments

Residential Aged Care Services (RACS)

Acute Services

Services

Residential Aged Care Nursing Home Services

All inpatient, outpatient and emergency services offered within the public health system excluding Mental Health Services.

All inter-segment transfers are based on cost.

Geographical Segment

Austin Health operates predominantly in North Eastern Metropolitan Melbourne, Victoria. More than 90% of revenue, net result from ordinary activities and segment assets relate to operations in North Eastern Metropolitan Melbourne, Victoria.